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SOUTHERN DISTRICT OF CALIFORNIA
BY DEPUTY

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

MAX POURSHAFIE, Individually and On Behalf of All Others Similarly Situated,

Plaintiff,

vs.

ACCREDITED HOME LENDERS HOLDING COMPANY, JAMES A. KONRATH, JOHN S. BUCHANAN, JOSEPH J. LYDON, STUART D. MARVIN, DAVID E. HERTZEL, and JEFFREY W. CRAWFORD

NO. 07-cv-0531-BTM POR

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Plaintiff, Max Pourshafie ("Plaintiff"), alleges the following based upon the investigation by Plaintiff's counsel, which included, among other things, a review of the Defendants' public documents, conference calls and announcements made by Defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding Accredited Home Lenders Holding Co. ("Accredited" or the "Company"), securities analysts' reports and advisories about the Company, and information readily available on the Internet, and Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION AND OVERVIEW

1. This is a federal class action on behalf of purchasers of the common stock of Accredited between November 1, 2005 and March 12, 2007, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. Accredited and its subsidiaries operate as a mortgage banking company in the United States and Canada. The company originates, finances, securitizes, services, and sells "non-prime" or "sub-prime" mortgage loans secured by residential real estate. The Company focuses on lending to individuals whose borrowing needs are generally not fulfilled by traditional financial institutions because they do not satisfy the credit, documentation or other underwriting standards prescribed by conventional mortgage lenders and loan buyers.

3. The Complaint alleges that, throughout the Class Period, Defendants failed to disclose material adverse facts about the Company's financial well-being, business relationships, and prospects. Specifically, Defendants failed to disclose or indicate the following: (1) that the Company was improperly accounting for loan losses as conditions in the sub-prime industry deteriorated; (2) that as such, the Company's financial statements were materially misstated; (3) that the Company's underwriting guidelines were not adequately restrictive for borrowers in the sub-prime loan market; (4) that the Company would be forced to further tighten its underwriting guidelines which would have a material impact on its future loan productions; (5) that the Company was operating without effective risk management policies and procedures in place; (6) that the Company lacked adequate internal and financial controls; and (7) that, as a result of the above, the Company's statements about its financial well-being and future business prospects were lacking in any reasonable basis when made.

4. On February 14, 2007, Accredited reported the Company's financial and operating results for the fourth quarter and year ended December 31, 2006. The Company reported net income of $57.7 million for the year and "strong liquidity." Commenting on the results and condition of the Company, Defendant Konrath stated "[w]hile the current operating environment remains challenging, our seasoned management team, talented employees and bottom-line business model give us confidence that we will navigate successfully through the current conditions." The Company

did not reveal that it had already received significant margin calls on its facilities, and that it was likely to receive additional increased margin calls going forward. To the contrary, the Company stressed that it had "[c]ontinued to increase reserve balances" by increasing the Company's total reserves by $42 for the quarter, and was"[m]aintain[ing] strong liquidity" of $345 million.

5. Less than one month after the announcement of February 14, 2007, on March 12, 2007, Accredited shocked investors when the Company revealed that its cash recourses had effectively been depleted, and that the Company was now forced to explore strategic options for continued survival. The Company further revealed for the first time it had been forced to pay approximately $190 million in margin calls since January 1, 2007, one-third of which had been received prior to the Company's February 14, 2007 announcement. Due to the Company's now precarious financial position, the Company further revealed that it was forced to seek financial waivers and extensions of the covenants it had made with its financial lenders. In reaction to the Company's shocking news, market analysts predicted that the Company could face liquidation, and that bankruptcy was now a serious possibility for the Company.

6. On the release of this shocking news, shares of the Company's stock declined $7.43 per share, or 65 percent, to close on March 13, 2007 at $3.97 per share, on unusually heavy trading volume.

JURISIDCTION AND VENUE

7. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5).

8. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

9. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). Many of the acts and transactions alleged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this Judicial District. Additionally, the Company maintains its principal place

of business in the District.

10. In connection with the acts, conduct and other wrongs alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

11. Plaintiff, Max Pourshafie, as set forth in the accompanying certification, incorporated by reference herein, purchased Accredited common stock at artificially inflated prices during the Class Period and has been damaged thereby.

12. Defendant Accredited Home Lenders Holding Company is a Delaware corporation with its principal place of business located at 15090 Avenue of Science, San Diego, California.

13. Defendant James A. Konrath ("Konrath") was, at all relevant times, the Company's Chief Executive Officer ("CEO") and Chairman of the Board of Directors.

14. Defendant John S. Buchanan ("Buchanan") was, at all relevant times, the Company's Chief Financial Officer ("CFO").

15. Defendant Joseph J. Lydon ("Lydon") was, at all relevant times, the Company's President and Chief Operating Officer ("COO").

16. Defendant Stuart D. Marvin ("Marvin") was, at all relevant times, the Company's Executive Vice President of Finance and Capital Markets.

17. Defendant David E. Hertzel ("Hertzel") was, at all relevant times, the Company's General Counsel.

18. Defendant Jeffrey W. Crawford ("Crawford") was, at all relevant times, the Company's Director of Operations.

19. Defendants Konrath, Buchanan, Lydon, Marvin, Hertzel, and Crawford are collectively referred to hereinafter as the "Individual Defendants." The Individual Defendants,

because of their positions with the Company, possessed the power and authority to control the contents of Accredited's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. Each Defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance, and had the ability and opportunity to prevent their issuance, or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public, and that the positive representations which were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

SUBSTANTIVE ALLEGATIONS

Background

20. Accredited and its subsidiaries operate as a mortgage banking company in the United States and Canada. The company originates, finances, securitizes, services, and sells "non-prime" or "sub-prime" mortgage loans secured by residential real estate. The Company focuses on lending to individuals whose borrowing needs are generally not fulfilled by traditional financial institutions because they do not satisfy the credit, documentation or other underwriting standards prescribed by conventional mortgage lenders and loan buyers.

Materially False and Misleading Statements Issued During the Class Period

21. The Class Period begins on November 1, 2005. On this day, Accredited issued a press release entitled "Accredited Announces Q3 2005 Results; Company Sets Quarterly Records for Net Income, Cost to Originate, Loans On-Balance Sheet, and Originations." Therein, the Company, in relevant part, stated:

Accredited Home Lenders Holding Co. (Nasdaq:LEND), a nationwide mortgage company specializing in non-prime residential mortgage loans, today announced that net income for the quarter ended September 30, 2005 was $41.3 million, or $1.87 per share on a fully-diluted basis, an increase of 15.1% compared to net income of $35.9 million, or $1.66 per share, for the comparable period in 2004. Total net revenues for the quarter increased by 19.8% to $151.8 million from $126.6 million for the comparable period in 2004. Net cost to originate mortgage loans was 1.57% for the quarter, compared to 1.92% for the third quarter of 2004.

Chairman and CEO James Konrath said, "Accredited continues to realize its profitability targets, despite a challenging environment. These third quarter results demonstrate the effect of our unwavering focus on reducing costs to drive profitability. Our cost to originate reached a record low of 1.57%, while our on-balance sheet portfolio continued to grow."

Mr. Konrath added, "Our results reflect a proven business model, built on consistent operating disciplines, excellent business partnerships, and experienced and talented employees. We remain confident in our ability to grow our business for the remainder of 2005 and beyond."

Third Quarter Operational Highlights

- Cost to originate new loans reached an all-time record low of 1.57% of the loan amount.
- Loans on-balance sheet reached a record principal balance of $9.1 billion at September 30, 2005, an increase of $3.1 billion, or 52.8%, from September 30, 2004.
- Portfolio income (net interest income after provision) was $60.4 million, compared to $46.0 million in Q3 2004, an increase of 31.4%. As a percentage of total net revenues, portfolio income increased to 39.8% in Q3 2005 from 36.3% in Q3 2004. The company estimates that this ratio is also representative of the portfolio's contribution to profitability.
- Record quarterly mortgage origination volume totaled $4.5 billion, compared to $3.2 billion in Q3 2004, an increase of 39.7%.

* * *

The 19.8% increase in total net revenues from Q3 2004 to Q3 2005 resulted primarily from increases in net interest income after provision and gain on sale of loans. Net interest income after provision increased 31.4% from $46.0 million in Q3 2004 to $60.4 million in Q3 2005, primarily due to the larger loan portfolio, partially offset by a smaller net interest margin percentage. While the weighted average coupon increased during the quarter, it was more

than offset by higher borrowing costs. The increase in the size of the loan portfolio from Q3 2004 resulted from four quarterly securitizations structured as financings and a higher balance of loans held for sale and securitization. The gain on sale of loans increased 9.8% from $78.0 million in Q3 2004 to $85.6 million in Q3 2005 primarily due to higher volume of whole loan sales for cash, offset in part by lower premiums. The company's average whole loan premiums, net of hedging, decreased from 3.50% in Q3 2004 to 3.07% in Q3 2005. Additional detail on this calculation can be found in the Financial Summary at the end of this release.

Total operating expenses increased 18.2% from $66.4 million in Q3 2004 to $78.5 million in Q3 2005, due primarily to the costs associated with larger loan volume. Salaries, wages, and benefits expense increased by 13.1% from $42.8 million in Q3 2004 to $48.4 million in Q3 2005 due primarily to the growth in the number of employees and increased commission and bonus costs related to higher loan originations, offset in part by greater efficiency. General, administrative, and other expenses increased by 27.4% from $23.6 million in Q3 2004 to $30.1 million in Q3 2005 due to increases in loan volume, number of staff, and number of locations.

Loan Originations

The company originated $4.5 billion of mortgage loans for the quarter ended September 30, 2005, compared to $3.2 billion of mortgage loan originations in Q3 2004, an increase of 39.7%.

Wholesale and retail originations for the quarter represented 90% and 10%, respectively, of total loan production, generally consistent with prior periods.

The company's net cost to originate mortgage loans was 1.57% for the quarter, compared to 1.92% in Q3 2004 and 1.73% in Q2 2005. Management believes this calculation is beneficial to investors because it provides a measurement of the efficiency of the origination process. Additional detail on this calculation can be found in the Financial Summary at the end of this release.

Loan Dispositions

During Q3 2005, $3.0 billion of mortgage loans were sold in whole loan sales for cash, and $1.1 billion of mortgage loans were securitized. The company's average whole loan premiums, net of hedging, decreased from 3.50% in Q3 2004 to 3.07% in Q3 2005. At the end of the third quarter, $810.8 million of mortgage loans were held for a fourth quarter 2005 securitization, and $2.4 billion of mortgage loans were held for sale.

Portfolio Performance and Loan Servicing

The company's total serviced portfolio equaled $9.2 billion at September 30, 2005. The serviced portfolio increased 49.4% from $6.1 billion at September 30, 2004. This was primarily due to the company's quarterly securitization program and an increase in the loans held for sale. Delinquent loans (30 or more days past due, including foreclosures and real estate owned) were 1.95% of the serviced portfolio at September 30, 2005, and 1.79%, 1.72%, and 1.74% for the three previous quarters.

Liquidity

The company had $5.1 billion in total warehouse credit capacity at September 30, 2005, including $1.0 billion in its asset-backed commercial paper conduit, and $316.5 million in available cash and additional liquidity. At the end of September, the company had used $3.1 billion of this capacity.

Adjusted Leverage

In managing its capital structure, the company adds its REIT subsidiary preferred stock, which is reflected as a minority interest on the consolidated balance sheet, to stockholders' equity to determine an adjusted leverage ratio, which was 14.5 times at September 30, 2005. Additional detail concerning the company's leverage measures can be found in the Financial Summary at the end of this release.

* * *

Earnings Guidance

The increase in the portfolio, the reduction in our cost to originate, and the company's strong results for the first three quarters of 2005 provide the basis for reiterating earnings guidance of $7.05 per share for the total year 2005. The forecast for the balance of 2005 assumes:

- Origination volume consistent with or slightly higher than the previous two quarters
- Whole loan premiums below the third quarter as rate increases have lagged increases in the cost of funds in the non-prime mortgage origination market
- Continued focus on the cost of origination
- Continued portfolio growth

Consistent with its practice in prior years, the company plans to issue 2006 guidance before the end of the year; however, management reaffirms its goal of 15% average annual growth in earnings per share. [Emphasis added.]

22. On November 9, 2005 Accredited filed its Quarterly Report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by Defendants Konrath and Buchanan, and reaffirmed the Company's financial results previously announced on November 1, 2005.

23. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications which stated:

> I, [James A. Konrath / John S. Buchanan], certify that:
>
> 1. I have reviewed this Form 10-Q of Accredited Home Lenders Holding Co.;
>
> 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
>
> 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
>
> 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f)) for the registrant and have:
>
> a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
>
> b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
>
> c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

* * *

I, [James A. Konrath, Chief Executive Officer / John S. Buchanan, Chief Financial Officer] of Accredited Home Lenders Holding Co. (the "Registrant"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

(1) the Quarterly Report on Form 10-Q of the Registrant, to which this certification is attached as an exhibit (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

24. On December 19, 2005, Accredited issued a press release entitled "Accredited Sets 2006 EPS Guidance." Therein, the Company, in relevant part, stated:

Accredited Home Lenders Holding Co. (NASDAQ:LEND) announced today its full year 2006 earnings per fully-diluted share (EPS) guidance at $7.70 -- $8.00. The 2006 forecast assumes:

- Growth in originations from an expanding platform;
- Interest rate spreads on originations below average 2005 spreads resulting in
  - Lower average gain on whole loan sales

- Reduced margin from the portfolio
- Similar mix of loan dispositions between securitizations and whole loan sales; and
- Continued focus on reducing the cost of origination.

> **Accredited Chairman and CEO James Konrath said, "Accredited has always focused on its fundamental business strategies -- profit-based disciplines, diversification, and leveraging our experienced management team -- that have served us well over the past 15 years. We believe that the critical issues facing the industry in the months ahead will be the ability to improve spreads and margins through appropriate pricing. Our mandate remains to be a leader in maximizing net revenue and reducing costs in order to deliver consistent profits."**
>
> Mr. Konrath added, "Achieving the earnings growth projected for 2006 will depend, in large part, on the pricing behavior in the non-prime mortgage origination market. We are encouraged that many of our competitors have been recently putting margin back into loan pricing. To the extent this trend of increasing interest rates to borrowers continues into 2006, we expect to be at the top of the EPS range. Conversely, pricing at, or slightly below, current levels will likely result in 2006 earnings at the lower end of the range." [Emphasis added.]

25. On February 14, 2006, Accredited issued a press release entitled "Accredited Reports Record Results for 2005; Loans On-Balance Sheet up 47%; Originations up 34%; Cost to Originate down 15%; Net Income up 19% in 2005." Therein, the Company, in relevant part, stated:

> Accredited Home Lenders Holding Co. (Nasdaq:LEND), a nationwide mortgage company specializing in non-prime residential mortgage loans, today announced record results for the quarter and year ended December 31, 2005.
>
> Net income for the year ended December 31, 2005 was $155.4 million, or $7.07 per share on a fully-diluted basis, an increase of 18.9% over $130.8 million for the year ended December 31, 2004. Total net revenues for the year increased 21.1% to $568.6 million from $469.6 million the prior year.
>
> Net income for the quarter ended December 31, 2005 was $43.3 million, or $1.96 per share on a fully-diluted basis, an increase of 13.6% over net income of $38.1 million for the comparable period in 2004. Total net revenues for the quarter increased by 11.5% to $150.1 million from $134.6 million for the comparable period in 2004.
>
> **Chairman and CEO James Konrath said, "Accredited met the challenge of a volatile 2005 for the non-prime mortgage industry by relying on the strength of our proven business model that features profitable origination and portfolio growth, minimizing**

our net cost to originate, and leveraging our experienced management team. In addition, the record results reflect the strength and commitment of our business partners, and of course, our world-class employees across the United States and in Canada."

Mr. Konrath added, "We expect 2006 to present an equally challenging environment that we are confronting with the same determination, confidence and focus, which were successful in 2005. To meet that challenge and continue to excel, Accredited will strengthen the primary factors that differentiate it in the marketplace, particularly our commitment to managing for profit, portfolio quality, and diversified loan originations, financing and dispositions."

2005 Operational Highlights

- Net cost to originate was 1.63% for the year, including an all-time record low of 1.35% in the fourth quarter.
- Loans on-balance sheet reached a record balance of $9.6 billion at December 31, 2005, an increase of $3.1 billion, or 46.6%, from December 31, 2004.
- Portfolio income (interest income less interest expense and provision for losses) of $237.3 million in 2005, compared to $174.9 million in 2004, an increase of 35.7%. As a percentage of total net revenues (total revenue less interest expense and provision for losses), portfolio income increased from 37.2% in 2004 to 41.7% in 2005.
- Mortgage origination volume of $16.6 billion in 2005, compared to $12.4 billion in 2004, an increase of 33.5%. Origination volume for the fourth quarter equaled $4.7 billion, which was the highest quarterly volume in the company's history.

* * *

The 21.1% increase in total net revenues from 2004 to 2005 resulted primarily from increases in portfolio income and an increase in whole loan sales. Net interest income after provision increased 35.7% from $174.9 million in 2004 to $237.3 million in 2005 primarily due to the larger loan portfolio, partially offset by a smaller net interest margin percentage. The increase in the size of the loan portfolio from 2004 resulted from four quarterly securitizations structured as financings and a higher balance of loans held for sale and securitization. The gain on sale of loans increased 10.4% from $283.6 million in 2004 to $313.1 million in 2005 primarily due to higher volume of whole loan sales for cash, offset in part by lower premiums. The company's average whole loan premiums, net of hedging, decreased from 3.71% in 2004 to 2.95% in 2005. Additional detail on this calculation can be found in the Financial Summary at the end of this release.

Total operating expenses increased 20.5% from $249.9 million in 2004 to $301.2 million in 2005 due primarily to the costs associated with larger loan originations. Salaries, wages and benefits expense

increased by 18.0% from $160.8 million in 2004 to $189.8 million in 2005 due primarily to the growth in the number of employees and increased commission and bonus costs related to higher loan originations, offset in part by greater efficiency. General, administrative, and other expenses increased by 25.1% from $89.1 million in 2004 to $111.4 million in 2005 due primarily to increases in loan originations, number of staff, and number of locations.

Loan Originations

The company originated $16.6 billion of mortgage loans for the year ended December 31, 2005, compared to $12.4 billion of mortgage loan originations in 2004, an increase of 33.5%.

Wholesale and retail originations for the year represented 90% and 10% of total loan production, respectively, generally consistent with prior periods.

The company's net cost to originate mortgage loans was 1.63% for the year. For Q4 2005, the company's net cost to originate was 1.35%, compared to 1.89% in Q4 2004 and 1.57% in Q3 2005. Management believes this measurement is beneficial to investors because it provides a measurement of efficiency of the origination process. Additional detail on the calculation can be found in the Financial Summary at the end of this release.

Loan Dispositions

During 2005, $11.4 billion of mortgage loans were sold in whole loan sales for cash, and $4.2 billion of mortgage loans went into securitizations structured as financings. At the end of the fourth quarter, approximately $900 million of mortgage loans in the United States and Canada were held for additions to the long-term portfolio, and $2.3 billion of mortgage loans were held for sale.

Portfolio Performance and Loan Servicing

The company's servicing portfolio, including $90.2 million of liquidating off-balance sheet securitizations, totaled $9.7 billion at December 31, 2005. The serviced portfolio increased 44.2% from $6.7 billion at December 31, 2004. This was primarily due to the company's quarterly securitization program and an increase in the loans held for disposition. Delinquent loans (30 or more days past due, including foreclosures and real estate owned) were 2.47% of the serviced portfolio at December 31, 2005, compared to 1.95% at September 30, 2005 and 1.74% at December 31, 2004. Delinquency levels remain well within management's expectations and continue to be substantially below published industry averages.

Liquidity

The company had approximately $5.2 billion in warehouse credit capacity at December 31, 2005. At the end of December, the company had used $2.8 billion of this capacity. The company had a

> record $356.4 million in available cash and additional liquidity at December 31, 2005.
>
> **Adjusted Leverage**
>
> In managing its capital structure, the company adds its REIT subsidiary preferred stock, which is reflected as a minority interest on the consolidated balance sheet, to stockholders' equity to determine an adjusted leverage ratio, which was 14.1 times at December 31, 2005. Additional detail concerning the company's leverage measures can be found in the Financial Summary at the end of this release.
>
> * * *
>
> **Earnings Guidance for 2006**
>
> For the total year 2006, the company affirms its previous earnings guidance of $7.70 - $8.00 per share. Achieving the earnings growth projected for 2006 will depend, in large part, on the impact of the industry and competitive environment on rates and margins. Earnings per share are expected to be at the top of the range if the industry continues the fourth quarter trend of increasing the spread between the rates to borrowers and the cost of funds. Earnings per share are estimated at the lower end of the range if these spreads remain at year-end 2005 levels.
>
> **Earnings Guidance for First Quarter**
>
> For the first quarter of 2006, the company expects earnings to increase from prior year in proportion with its annual guidance. The first quarter guidance assumes:
>
> - A seasonal decline in loan origination volume compared to the fourth quarter
> - An increase in the cost to originate as a result of the lower volume
> - Lower net premium received on whole loan sales compared to the fourth quarter of 2005

[Emphasis added.]

26. On March 16, 2006, Accredited filed its 2005 Annual Report with the SEC on Form 10-K. The Company's Form 10-K was signed by Defendants Konrath, Buchanan, and Lydon, and reaffirmed the Company's financial results previously announced on February 14, 2006. The Company's Form 10-K also contained Sarbanes-Oxley required certifications substantially similar to the certifications contained in ¶ 23, *supra.*

27. On May 2, 2006, Accredited issued a press release entitled "Accredited Reports Q1

2006 Results; Net Income up 15% in Q1 2006; Net Cost to Originate down 19%; Loans On-Balance Sheet up 30%; Originations up 11%." Therein, the Company, in relevant part, stated:

> Accredited Home Lenders Holding Co. (Nasdaq:LEND), a nationwide mortgage company specializing in non-prime residential mortgage loans, today announced results for the quarter ended March 31, 2006.
>
> Net income for the quarter ended March 31, 2006 was $35.8 million, or $1.61 per share on a fully-diluted basis, an increase of 14.5% over net income of $31.3 million for the comparable period in 2005. Total net revenues for the quarter increased by 15.2% to $141.7 million from $123.0 million for the comparable period in 2005.
>
> **Chairman and CEO James Konrath said, "Our company delivered another solid quarter of earnings and cost discipline, along with an increase in loan originations and portfolio growth. These results were accomplished during a quarter with the anticipated seasonally softer origination volume and a number of competitors lowering interest rates to borrowers while the cost of money was increasing. Continued healthy demand for non-prime loans was again evident by our growth in origination volume when measured against the same period in 2005, as well as the strong volume during the last month of the quarter."**
>
> **Mr. Konrath added, "We are also pleased with the growth and performance of our portfolio in the first quarter. Accredited continues to achieve superior executions on its securitizations, including a first quarter transaction with some of the tightest spreads in our history, and portfolio performance results that continue to outpace both the industry and our forecasts. All of this underscores our continued confidence that our profit-based business model, diversification in all facets of our business, and best-in-class employees will drive profitability for the remainder of 2006 and beyond."**
>
> **First Quarter Operational Highlights**
>
> - Net cost to originate of 1.60% for the quarter, an improvement of 36 basis points from the same period last year.
> - Loans on-balance sheet reached $9.5 billion at March 31, 2006, an increase of $2.2 billion, or 30.0%, from March 31, 2005.
> - Net interest income after provision (interest income less interest expense and provision for losses) of $65.8 million, compared to $57.7 million in Q1 2005, an increase of 14.0%. As a percentage of total net revenues, net interest income after provision was 46.4% in Q1 2006.

- Mortgage origination volume of $3.6 billion in Q1 2006, compared to $3.2 billion in Q1 2005, an increase of 11.1%.

* * *

The 15.2% increase in total net revenues from Q1 2005 to Q1 2006 resulted primarily from an increase in the portfolio and higher whole loan sales. Net interest income after provision increased 14.0% from $57.7 million in Q1 2005 to $65.8 million in Q1 2006, primarily due to the larger loan portfolio, partially offset by a lower net interest margin percentage. While the weighted average coupon increased during the quarter, it was more than offset by higher cost of funds. The increase in the size of the loan portfolio from Q1 2005 resulted primarily from four quarterly securitizations structured as financings. The gain on sale of loans increased 15.0% from $61.4 million in Q1 2005 to $70.6 million in Q1 2006 primarily due to higher volume of whole loan sales, offset in part by lower premiums. The company's average whole loan premium, net of hedging, decreased from 3.27% in Q1 2005 to 2.10% in Q1 2006. The premium for Q1 2006 includes discounts from three second-lien loan sales during the quarter that reduced the average whole loan premium percentage by 12 basis points. Additional detail on this calculation can be found in the Financial Summary at the end of this release.

Total operating expenses increased 15.6% from $68.1 million in Q1 2005 to $78.7 million in Q1 2006, due primarily to the costs associated with larger loan originations. Salaries, wages and benefits expense increased by 12.0% from $42.4 million in Q1 2005 to $47.5 million in Q1 2006 primarily because of the recognition of approximately $1 million in stock option expense as a result of SFAS 123R and the increased staff and volume levels. General, administrative, and other expenses increased by 21.5% from $25.6 million in Q1 2005 to $31.1 million in Q1 2006 due primarily to increases in the number of loans originated and being serviced, and marketing expenses supporting increased production from the retail channel.

Loan Originations

The company originated $3.6 billion of mortgage loans for the quarter ended March 31, 2006, compared to $3.2 billion of mortgage loan originations in Q1 2005, an increase of 11.1%.

Wholesale and retail originations for the quarter represented 87% and 13% of total loan production, respectively, reflecting a higher growth rate in the retail channel during the quarter.

The company's net cost to originate mortgage loans was 1.60% for the quarter ended March 31, 2006 compared to 1.96% in Q1 2005. Management believes this measurement is beneficial to investors because it provides a measurement of the efficiency of the loan origination process. Additional detail on the calculation of net cost to originate can be found in the Financial Summary at the end of this release.

Loan Dispositions

During Q1 2006, $3.0 billion of mortgage loans were sold in whole loan sales for cash, and $1.0 billion of mortgage loans went into a securitization structured as a financing. At the end of the quarter, $867.3 million of mortgage loans were held for additions to the long-term portfolio, and $1.7 billion of mortgage loans were held for sale.

Portfolio Performance and Loan Servicing

The company's servicing portfolio, including $81.8 million of liquidating off-balance sheet securitizations, totaled $9.6 billion at March 31, 2006. The serviced portfolio increased 28.5% from $7.5 billion at March 31, 2005. This was primarily due to the company's quarterly securitization program. Delinquent loans (30 or more days past due, including foreclosures and real estate owned) were 2.85% of the serviced portfolio at March 31, 2006, compared to 2.47% at December 31, 2005 and 1.72% at March 31, 2005. Delinquency levels remain within management's expectations and continue to be substantially below published industry averages.

Liquidity

The company had approximately $5.2 billion in warehouse credit capacity at March 31, 2006. At the end of March, the company had used $2.3 billion of this capacity. The company had $301.0 million in available cash and additional liquidity at March 31, 2006.

Adjusted Leverage

In managing its capital structure, the company adds its REIT subsidiary preferred stock, which is reflected as a minority interest on the consolidated balance sheet, to stockholders' equity to determine an adjusted leverage ratio, which was 12.9 times at March 31, 2006. Additional detail concerning the company's leverage measures can be found in the Financial Summary at the end of this release.

* * *

Earnings Guidance for 2006

For the total year 2006, the company reaffirms its previous earnings guidance of $7.70 - $8.00 per share. This forecast for the balance of the year, as well as the second quarter, assumes:

- Continued growth in origination volume
- Additional reductions in the cost to originate
- Improvement in the spread of interest rates to borrowers over the cost of funds from current market place levels
- An increase in net premium received in whole loan sales from current market levels

[Emphasis added.]

28. On May 10, 2006, Accredited filed its Quarterly Report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by Defendants Konrath and Buchanan, and reaffirmed the Company's financial results previously announced on May 2, 2006. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications substantially similar to the certifications contained in ¶ 23, *supra.*

29. On August 9, 2006, Accredited issued a press release entitled "Accredited Reports Q2 2006 Results; Net Income up 4% in Q2 2006, Net Cost to Originate down 22%, Loans On-Balance Sheet up 16% from 2005." Therein, the Company, in relevant part, stated:

> Accredited Home Lenders Holding Co. (NASDAQ:LEND), a mortgage company specializing in non-prime residential mortgage loans, today announced results for the quarter ended June 30, 2006.
>
> Net income for the quarter ended June 30, 2006 was $41.2 million, or $1.84 per share on a fully-diluted basis, an increase of 4.2% over net income of $39.6 million for the comparable period in 2005. Total net revenues for the quarter increased by 6.6% to $153.2 million from $143.7 million for the comparable period in 2005.
>
> **Chairman and CEO James Konrath said, "We are pleased with profit and cost results in the second quarter and the first half of 2006 that presented some of the most challenging market conditions in recent memory. Our unwavering commitment to originating profitable loans at the lowest cost continues to generate margins that act as a counterweight to continuing intense price competition, fluctuating secondary market appetites, and higher funding costs."**
>
> Mr. Konrath added, "During the second quarter, we were also very pleased to announce signing a definitive agreement to acquire Aames Investment Corporation, a 52-year old non-prime mortgage company. We anticipate that the combined company will nearly triple Accredited's retail presence, provide significant cost and operational synergies, and improve scale throughout the origination and servicing operations. Equally important is that the Aames transaction will bring a cadre of experienced non-prime mortgage professionals to join the 2,900 world-class employees at Accredited."
>
> **Second Quarter Operational Highlights**
>
> - Net cost to originate for the quarter was 1.34%, an improvement of 39 basis points from the same period last year and the lowest in the company's history that was previously achieved in the fourth quarter of 2005.

- Loans on-balance sheet reached $9.5 billion at June 30, 2006, an increase of $1.3 billion, or 15.6%, from June 30, 2005.
- Net interest income after provision (interest income less interest expense and provision for losses) of $65.0 million, compared to $54.9 million in Q2 2005, an increase of 18.4%. As a percentage of total net revenues, net interest income after provision was 42.4% in Q2 2006.
- Mortgage origination volume of $4.08 billion in Q2 2006, compared to $4.14 billion in Q2 2005, a decrease of 1.5%.
- The company signed a definitive agreement on May 24 to acquire Aames Investment Corporation (NYSE: AIC). On June 23, the company purchased the assets of the wholesale operation of Aames for a cash price of $4 million. The integration of the wholesale platform, which added 65 employees at the end of the second quarter, began on June 26 and was completed on July 10 with an additional 94 employees joining Accredited's wholesale operation.

* * *

The 6.6% increase in total net revenues from Q2 2005 to Q2 2006 resulted primarily from an increase in the portfolio and higher whole loan sales, which were partially offset by a lower gain on sale of loans. Net interest income after provision increased 18.4% from $54.9 million in Q2 2005 to $65.0 million in Q2 2006, primarily due to the larger loan portfolio, partially offset by a lower net interest margin percentage. While the weighted average coupon increased during the quarter, it was more than offset by higher cost of funds. The increase in the size of the loan portfolio from Q2 2005 resulted primarily from four large quarterly securitizations structured as financings. Provision for losses decreased 27.8% from Q2 2005 to Q2 2006 due primarily to lower growth in loans held for investment, which was $46.3 million this quarter, compared to $611.9 million for the same period in 2005. However, the reserve balance on loans held for investment increased in dollars and as a percentage of the principal balance outstanding from last year and the last quarter. The reserve rate is now 1.6%, compared to 1.4% at June 30, 2005 and 1.5% at March 31, 2006.

The gain on sale of loans decreased 4.6% from $84.5 million in Q2 2005 to $80.7 million in Q2 2006 primarily due to lower premiums, offset in part by higher volume of whole loan sales. The company's average whole loan premiums, net of hedging, decreased from 3.12% in Q2 2005 to 2.30% in Q2 2006. Additional detail on this calculation can be found in the Financial Summary at the end of this release.

Total operating expenses increased 8.0% from $75.1 million in Q2 2005 to $81.1 million in Q2 2006 primarily to support the increase in the serviced loan portfolio. Salaries, wages and benefits expense decreased by 0.8% from $49.7 million in Q2 2005 to $49.3 million in Q2 2006 due to the decrease in incentive compensation associated with the lower value per loan originated. General, administrative, and other expenses increased by 25.4% from $25.4 million in Q2 2005 to

$31.9 million in Q2 2006 because of the increase in the serviced loan portfolio, increased depreciation expense due to additional investment in technology, increased leasing costs associated with expansion of five wholesale origination centers and the San Diego headquarters' office, and higher marketing expenses supporting increased production from the retail channel.

Loan Originations

The company originated $4.08 billion of mortgage loans for the quarter ended June 30, 2006, compared to $4.14 billion of mortgage loan originations in Q2 2005, a decrease of 1.5%. Volume from the retail channel grew from $363.7 in Q2 2005 million to $518.7 million for the same period in 2006, an increase of 42.6%.

Wholesale and retail originations for the quarter represented 87% and 13% of total loan production, respectively, reflecting a higher growth rate in the retail channel.

The company's net cost to originate mortgage loans was 1.34% for the quarter ended June 30, 2006 compared to 1.73% in Q2 2005. Management believes this measurement is beneficial to investors because it provides a measurement of the efficiency of the loan origination process. Additional detail on the calculation of net cost to originate can be found in the Financial Summary at the end of this release.

Loan Dispositions

During Q2 2006, $3.7 billion of mortgage loans were sold in whole loan sales for cash, and the company issued $1.4 billion in asset-backed bonds. Mortgage loans totaling $1.1 billion were delivered into the securitization structured as a financing. The $352.3 million difference between the asset-backed bonds issued and the loans delivered through June 30 is reflected as restricted cash. In July, $173.3 million additional collateral in the form of mortgage loans was delivered to the securitization, and the remaining amount to complete the securitization will be delivered in August. At the end of the quarter, $315.7 million of mortgage loans were held for additions to the long-term portfolio, and $1.6 billion of mortgage loans were held for sale.

Portfolio Performance and Loan Servicing

The company's servicing portfolio, including $73.5 million of liquidating off-balance sheet securitizations, totaled $9.5 billion at June 30, 2006. The serviced portfolio increased 14.9% from $8.3 billion at June 30, 2005. This was primarily due to the company's quarterly securitization program. Delinquent loans (30 or more days past due, including foreclosures and real estate owned) were 3.76% of the serviced portfolio at June 30, 2006, compared to 2.47% at December 31, 2005 and 1.79% at June 30, 2005. In spite of the increase, delinquency levels remain within management's expectations and continue to be substantially below published industry averages.

Liquidity

The company had approximately $5.2 billion in warehouse credit capacity at June 30, 2006. At the end of June, the company had used $1.6 billion of the available capacity. The company had $316.4 million in available cash and additional liquidity at June 30, 2006.

Adjusted Leverage

In managing its capital structure, the company adds its REIT subsidiary preferred stock, which is reflected as a minority interest on the consolidated balance sheet, to stockholders' equity to determine an adjusted leverage ratio, which was 12.2 times at June 30, 2006. Additional detail concerning the company's leverage measures can be found in the Financial Summary at the end of this release

* * *

Earnings Guidance for 2006

The company revises its full year 2006 earnings per fully-dilutive share guidance to a range of $4.50 to $5.00. As reported in May 2006, the company anticipates the dilutive impact of the Aames merger on earnings per share in 2006 to be in the range of $1.00 to $1.35, depending on the closing date. The most significant items in further revising the 2006 forecast include:

- Lower than anticipated origination volume
- Net gain on whole loan sales below previous expectations

The forecast for the balance of the year assumes:

- Completion of the Aames acquisition in early October
- Implementation of more competitive pricing in the company's wholesale platform resulting in:
  - Lower net gains on whole loan sales
  - Year-over-year volume growth
- Steady net cost to originate

[Emphasis added.]

30. Also on August 9, 2006, Accredited filed its Quarterly Report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by Defendants Konrath and Marvin, and reaffirmed the Company's financial results announced on the same day. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications substantially similar to the certifications contained in ¶ 23, *supra*.

31. On October 19, 2006 Accredited issued a press release entitled "Accredited Updates 2006 Outlook; Sets Q3 Call Date." Therein, the Company, in relevant part, stated:

> Accredited Home Lenders Holding Co. (NASDAQ:LEND) ("Accredited") announced today it anticipates fully-diluted earnings per share for the year will not reach the lower end of the company's previous 2006 guidance of $4.50.
>
> Increasing turbulence in the non-prime mortgage market has impacted the company's ability to achieve its previous earnings guidance. The most significant factors underlying this turbulence include:
>
> - Origination volume and loan submissions have not increased as much as the company anticipated and continue to be adversely affected by a combination of pricing competition and product contraction that has been prevalent in the market throughout 2006.
> - Whole loan premiums and securitization returns are under more pressure than previously anticipated, caused a decrease in whole loan investor appetite for certain products, as well as changes in credit standards and equity requirements promulgated by the various rating agencies.
> - Delinquency from production periods in 2005 and 2006 has risen above previous expectations, which requires the company to further bolster its reserves to prudently value the loan portfolio and potential exposure.
>
> Accredited's Chairman and CEO, James Konrath commented, "We believe the ferocity of pricing competition is due, in part, to the current wave of merger and acquisition activity as several non-prime mortgage originators attempt to maintain production levels to become or remain attractive to potential investors."
>
> **Mr. Konrath added, "We intend to capitalize on the fundamental strengths of the company -- a deeply experienced management team, diversification in all operational areas, and a profit culture driven to all levels of the company -- as we navigate through the current turbulent cycle in the non-prime mortgage industry."**
>
> [Emphasis added.]

32. On November 6, 2006, Accredited issued a press release entitled "Accredited Reports Q3 Results." Therein, the Company, in relevant part, stated:

> Accredited Home Lenders Holding Co. (NASDAQ:LEND), a mortgage company specializing in non-prime residential mortgage

loans, today announced results for the quarter ended September 30, 2006.

Net income for the quarter ended September 30, 2006 was $18.4 million, or $0.83 per share on a fully-diluted basis, down from $41.3 million for the comparable period in 2005. Total net revenue for the quarter was $114.3 million, down from $151.8 million for the comparable period in 2005.

Commenting on the third quarter results, Accredited's Chairman and CEO James Konrath said, "As previously reported, our recent performance has been negatively impacted by fierce pricing competition, ongoing product contraction, anticipated higher delinquencies and losses, and activities associated with the acquisition of Aames Investment Corporation that was effective on October 1. **Despite these headwinds, Accredited originated loans at a profit, maintained our low cost structure, and closed the acquisition of Aames on schedule.**

"While we are not satisfied with the third quarter profits and portfolio trends, we remain committed to, and confident in, our prospect for long-term growth and profitability. In this context, the Aames acquisition will help to immediately expand our most profitable origination channel, the retail platform."

Operational Highlights

- The Company closed the acquisition of Aames Investment Corporation effective October 1, 2006 for a total purchase price of $235 million, which included $77.6 million in cash and issuance of approximately 4.4 million shares of its common stock.
- Net cost to originate for the quarter was 1.53%, an improvement of 4 basis points from the same period last year.
- Loans on-balance sheet reached $9.3 billion at September 30, 2006, an increase of $254 million, or 2.8%, from September 30, 2005.
- Net interest income after provision was $59.5 million, compared to $64.1 million in Q3 2005.
- Mortgage origination volume was $4.2 billion in Q3 2006, compared to $4.5 billion in Q3 2005.
- On September 14, 2006, the Board of Directors authorized the company to repurchase up to 5 million shares of the company's stock from time-to-time through October 1, 2007. Through November 3, 2006, the company has purchased 750,000 shares of the company common stock under the repurchase program.

* * *

The decrease in total net revenues from Q3 2005 to Q3 2006 is primarily a result of a decrease in gain on sale from $81.9 million in Q3 2005 to $47.3 million in Q3 2006. The decrease in the gain

on sale was largely due to lower premiums on loans sold and higher provisions for repurchases and premium recapture. In addition, the provision for market valuation on loans held for sale increased due to higher delinquency. The company's average whole loan premiums, net of hedging, decreased from 3.08% in Q3 2005 to 1.86% in Q3 2006. Additional detail on this calculation can be found in the Financial Summary at the end of this release.

Net interest income after provision declined to $59.5 million in Q3 2006 from $64.1 million in Q3 2005 due primarily to lower spreads associated with pricing competition and the flattening yield curve. Provision for losses equaled $9.7 million in Q3 2006, compared to $15.4 million in Q3 2005. The decrease in the provision for losses reflects a decrease in the portfolio over the comparable period. The reserve balance on loans held for investment increased as a percentage of the principal balance outstanding to 1.7%, compared to 1.5% at December 31, 2005 and 1.4% at September 30, 2005.

Total operating expenses increased 12.3% from $78.5 million in Q3 2005 to $88.1 million in Q3 2006. Salaries, wages and benefits expense increased by 12.8% from $48.4 million in Q3 2005 to $54.6 million in Q3 2006 primarily due to growth in staff and related salaries, partially offset by lower bonuses and commissions. General, administrative, and other expenses increased by 11.6% from $30.1 million in Q3 2005 to $33.6 million in Q3 2006 primarily because of the additional investment in technology and infrastructure.

Loan Originations

The company originated $4.2 billion of mortgage loans for the quarter ended Q3 2006, compared to $4.5 billion of mortgage loan originations in Q3 2005, a decrease of 5.9%. For the same time period, volume from the retail channel increased from $456.9 million in Q3 2005 to $501.5 million in Q3 2006, an increase of 9.8%. This volume did not include any retail volume from the Aames acquisition, which occurred on October 1, 2006.

Wholesale and retail originations for the quarter represented 88% and 12% of total loan production, respectively, reflecting a higher growth rate in the retail channel.

The company's net cost to originate mortgage loans was 1.53% for the quarter ended September 30, 2006 compared to 1.57% in Q3 2005. Management believes this measurement is beneficial to investors because it provides a measurement of the efficiency of the loan origination process. Additional detail on the calculation of net cost to originate can be found in the Financial Summary at the end of this release.

Loan Dispositions

During Q3 2006, $3.7 billion of mortgage loans were sold in whole loan sales for cash, and the company completed the funding of the $1.4 billion securitization initiated in Q2 2006 by delivering $350

> million in mortgage loans to finalize the securitization. At the end of the quarter, $2.0 billion of mortgage loans were held for disposition.
>
> **Portfolio Performance and Loan Servicing**
>
> The company's servicing portfolio totaled $9.4 billion at September 30, 2006. The serviced portfolio increased 2.4% from $9.2 billion at September 30, 2005. This was primarily due to the company's securitization program. Delinquent loans (30 or more days past due, including foreclosures and real estate owned) comprised 5.44% of the serviced portfolio at September 30, 2006, compared to 2.47% at December 31, 2005 and 1.95% at September 30, 2005.
>
> **Liquidity**
>
> The company had approximately $6.7 billion in credit facilities at September 30, 2006. At the end of September, the company had used $2.0 billion of the available capacity. The company had $351 million in available cash and additional liquidity at September 30, 2006.
>
> Effective November 6, 2006, the company added a $100 million working capital credit facility. Advances on the committed facility are secured by the company's ownership interest in the residual cash flows from the securitized loans held for investment.
>
> **Adjusted Leverage**
>
> In managing its capital structure, the company adds its REIT subsidiary preferred stock, which is reflected as a minority interest on the consolidated balance sheet, to stockholders' equity to determine an adjusted leverage ratio, which was 12.3 times at September 30, 2006. Additional detail concerning the company's leverage measures can be found in the Financial Summary at the end of this release. [Emphasis added.]

33. On November 9, 2006, Accredited filed its Quarterly Report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by Defendants Konrath and Marvin, and reaffirmed the Company's financial results previously announced on November 6, 2006. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications substantially similar to the certifications contained in ¶ 23, *supra*.

34. On February 14, 2007, Accredited issued a press release entitled "Accredited Reports 2006 Results." Therein, the Company, in relevant part, stated:

> Accredited Home Lenders Holding Co. (NASDAQ:LEND), a mortgage company specializing in non-prime residential mortgage

loans, today announced results for the fourth quarter and year ended December 31, 2006.

Net income for the year ended December 31, 2006 was $57.7 million, or $2.48 per share on a fully-diluted basis, down from $155.4 million and $7.07 per share for the comparable period in 2005. Net loss for the quarter ended December 31, 2006 was ($37.8) million, or ($1.49) per share on a fully-diluted basis, down from net income of $43.3 million for the comparable period in 2005. Reserve balances at December 31 increased $42 million from the end of Q3 2006, reflecting increasing delinquency trends and repurchase activity.

Commenting on the fourth quarter and full-year results for 2006, Accredited's Chairman and CEO James Konrath said, "For the full year, Accredited achieved positive net income when a number of non-prime mortgage companies either posted losses or exited the business. Results for the fourth quarter were dissatisfying; however, during the quarter we absorbed the bulk of the impact of the Aames merger and continued responding to the current difficult credit environment. We spent much of the quarter completing the integration of Aames' retail business and continued to implement changes to our underwriting guidelines, both of which negatively affected key profitability drivers such as volume, costs and premiums. We expect the time spent on these priorities will benefit the company in this challenging environment with a stronger retail franchise and improved portfolio performance."

Mr. Konrath added, "While the current operating environment remains challenging, our seasoned management team, talented employees and bottom-line business model give us confidence that we will navigate successfully through the current conditions."

Operational and Financial Highlights

- Closed the Aames merger and completed much of the integration of Aames and Accredited
    - Retail business: Trained all branch and operational personnel on Accredited products, underwriting guidelines and processes, technology systems and incentive plans
    - Servicing: Sold the Aames servicing platform
    - Loans held for Investment: Sold four of the six Aames securitization residual interests, reducing the Aames portfolio from $3.0 billion acquired to $1.2 billion
    - Administrative staff: Consolidated all corporate departments into Accredited's San Diego headquarters
    - The purchase price in excess of estimated fair value resulted in goodwill of $63 million

- Continued credit quality initiatives
  - Refocused underwriting and processing staffs
  - Tightened requirements for credit score, loan-to-value, income documentation and product availability
- **Continued to increase reserve balances**
  - **Provision expense for the five reserve categories totaled $76 million in Q4 2006**
  - Actual losses in these five categories were $34 million in the fourth quarter
  - **Total reserves increased $42 million from September 30 to December 31**
- **Maintained strong liquidity of $345 million at December 31, 2006**
- Issued $56 million of trust preferred securities on January 11, 2007, further strengthening our liquidity position

* * *

Loan Originations

The company originated $3.9 billion of mortgage loans for the quarter ended Q4 2006, compared to $4.7 billion of mortgage loan originations in Q4 2005, a decrease of 18%. Wholesale and retail originations for the quarter represented 77% and 23% of total loan production, respectively, reflecting the impact of the merger on the retail channel.

Volume from the wholesale channel decreased from $4.2 billion in Q4 2005 to $3.0 billion in Q4 2006, a decline of 29.6%. The primary reasons for the lower volume in the wholesale channel were continuation of credit quality initiatives, and pricing and product competition in the wholesale market.

For the same time period, volume from the retail channel increased from $495.0 million in Q4 2005 to $897.3 million in Q4 2006, an increase of 81.3%. The former Aames retail branches originated $493.1 million in loans during Q4 2006. Volume was negatively impacted by lost sales time from training and system conversions, as well as an adjusted product menu and tightened underwriting standards.

The company's net cost to originate mortgage loans was 1.85% for Q4 2006 compared to 1.35% in Q4 2005. The increase is primarily the result of the decline in volume and the effects of the Aames integration. Additional detail on the calculation of net cost to originate can be found in the Regulation G disclosure tables at the end of this release.

Loan Dispositions

During Q4 2006, $3.3 billion of mortgage loans, including $286 million of loans acquired from Aames, were sold in whole loan sales for cash. In addition, the company sold four of the six residuals acquired from Aames representing loans of $1.7 billion. At the end of the quarter, $2.1 billion of mortgage loans were held for sale and $883 million were held for securitization. The company closed a $760 million asset-backed, on-balance sheet securitization on January 30, 2007.

Portfolio Performance and Loan Servicing

The company's servicing portfolio totaled $11.0 billion at December 31, 2006. The serviced portfolio increased 13.7% from $9.7 billion at December 31, 2005 primarily because of the additional two Aames securitizations held at year end. Delinquent loans (30 or more days past due, including foreclosures and real estate owned) comprised 7.18% (excluding Aames loans remaining in the portfolio) of the serviced portfolio at December 31, 2006, compared to 5.45% at September 30, 2006. The primary reasons for the increase in 30+ day delinquencies were the aging of the portfolio, higher delinquencies from more recent vintages, and additional delinquency from repurchased loans. Additional details on delinquency trends can be found in the tables at the end of this release.

Liquidity

The company had approximately $7.6 billion in credit and commercial paper facilities at December 31, 2006. At the end of December, the company had used $2.8 billion of the available capacity. **The company had $345 million in available cash and liquidity at December 31, 2006, compared to $356 million at December 31, 2005. Additionally, on January 11, 2007, the company completed a $56 million private placement of trust preferred securities through its subsidiary, Accredited Preferred Securities Trust I.** The trust preferred securities bear interest at a fixed rate of 9.01% until January 30, 2012, whereupon the rate floats at three-month LIBOR plus 3.95% thereafter until their maturity in January 2037, unless earlier redeemed. The trust preferred securities can be redeemed in whole or in part by the company beginning January 30, 2012 without penalty. The company believes that the issuance of the trust preferred further strengthens its liquidity position.

Adjusted Leverage

In managing its capital structure, the company adds its REIT subsidiary preferred stock, which is reflected as a minority interest on the consolidated balance sheet, to stockholders' equity to determine an

adjusted leverage ratio, which was 12.7 times at December 31, 2006. [Emphasis added.]

35. The statements contained in ¶¶ 21 – 34 were materially false and misleading when made because Defendants failed to disclose or indicate the following: (1) that the Company was improperly accounting for loan losses as conditions in the sub-prime industry deteriorated; (2) that as such, the Company's financial statements were materially misstated; (3) that the Company's underwriting guidelines were not adequately restrictive for borrowers in the sub-prime loan market; (4) that the Company would be forced to further tighten its underwriting guidelines which would have a material impact on its future loan productions; (5) that the Company was operating without effective risk management policies and procedures in place; (6) that the Company lacked adequate internal and financial controls; and (7) that, as a result of the above, the Company's statements about its financial well-being and future business prospects were lacking in any reasonable basis when made.

The Truth Begins to Emerge

36. On March 12, 2007, after the market had closed for the day, Accredited issued a press release entitled "Accredited Pursuing Strategic Options." Therein, the Company, in relevant part, revealed:

> Accredited Home Lenders Holding Co. (NASDAQ:LEND) ("Accredited" or "Company") **announced today that it is currently exploring various strategic options, including raising additional capital to enhance liquidity and provide the Company with the flexibility to retain or sell originated loans based on an assessment of the best overall return. Accredited's available cash resources have been affected primarily by margin calls under its warehouse and repurchase facilities since January 1, 2007, all of which have been met to date, as well as ongoing loan repurchases. The Company reported that it has paid approximately $190 million in margin calls on its facilities since January 1, 2007. Approximately two-thirds of those margin calls have been received and paid since February 15, 2007.**
>
> **In addition, Accredited is seeking waivers and extensions of waivers of certain financial and operating covenants under its warehouse and repurchase facilities, including waivers relating to required levels of net income. The Company has been operating under various waivers under these facilities since December 31, 2006. There can be no assurance that the Company will be**

> **successful in receiving any of the required waivers.** [Emphasis added.]

37. On the release of this news, shares of the Company's stock declined $7.43 per share, or 65 percent, to close on March 13, 2007 at $3.97 per share, on unusually heavy trading volume.

38. The market's reaction to the Company's release of this unexpected and shocking revelation may best be summed up by the views stated by Carl Drake, CFA, of SunTrust Robinson Humphrey. In his research report released immediately following the Company's shocking news, Mr. Drake, in relevant part, stated:

> This morning, **LEND announced that it is in a severe liquidity crises due to margin calls and repurchase obligations.** It is exploring strategic options (including raising capital or a sale) and is seeking extensions of waivers with its warehouse lenders. **The company's cash has been negatively impacted by margin calls on its warehouse/repurchase facilities coupled with continued high repurchases of whole loan sales totaling $190 million since 1/1/07. Given its unrestricted cash of about $229 MM at year-end ... and defaults with its lending sources, this raises significant concerns about LEND's ability to fund originations and operate as a going concern. With the stock trading around $4, it is difficult to determine if LEND can survive or sell itself in time.**
>
> **Margin calls of about $190 MM have been received since 1/1/07, with the majority coming after 2/15/07. Having satisfied the margin calls, the company has minimal unrestricted cash to withstand further margin calls and increases the chance that LEND may file bankruptcy, sell all or a portion of its assets or face liquidation.**
>
> * * *
>
> It is uncertain if LEND can find a buyer for its distressed business in time. However, should it go into bankruptcy (a serious possibility), LEND would likely be worthless. Therefore, we continue to remain on the sidelines with our Neutral rating, but we increased our risk rank to Speculative. [Emphasis added.]

PLAINTIFF'S CLASS ACTION ALLEGATIONS

39. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil

Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased the common stock of Accredited between November 1, 2005 and March 12, 2007, inclusive (the "Class Period") and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

40. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Accredited's common stock was actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Accredited or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

41. Plaintiff's claims are typical of the claims of the members of the Class as allmembers of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

42. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

43. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the

Class Period misrepresented material facts about the business, operations and management of Accredited; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

44. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

UNDISCLOSED ADVERSE FACTS

45. The market for Accredited's common stock was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, Accredited's common stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Accredited's common stock relying upon the integrity of the market price of Accredited's common stock and market information relating to Accredited, and have been damaged thereby.

46. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Accredited's common stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

47. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly, or proximately caused, or were a substantial contributing cause of, the damages sustained by Plaintiff and other members of the Class. As described herein, during the

Class Period, Defendants made or caused to be made a series of materially false or misleading statements about Accredited's financial well-being, business relationships, and prospects. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Accredited and its financial well-being, business relationships, and prospects, thus causing the Company's common stock to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's common stock at artificially inflated prices, thus causing the damages complained of herein.

LOSS CAUSATION

48. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

49. During the Class Period, Plaintiff and the Class purchased common stock of Accredited at artificially inflated prices and were damaged thereby. The price of Accredited's common stock significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

SCIENTER ALLEGATIONS

50. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding Accredited their control over, and/or receipt and/or modification of Accredited's allegedly materially misleading misstatements and/or their associations

with the Company which made them privy to confidential proprietary information concerning Accredited, participated in the fraudulent scheme alleged herein.

51. Also, during the Class Period, and with the Company's stock trading at artificially inflated prices, Accredited was able to complete a merger with Aames Investment Corporation ("Aames"). To consummate the merger, Accredited exchanged cash and fractional shares of the Company's artificially inflated common stock to acquire total control of Aames' common stock, and thereafter Aames became a wholly owned subsidiary of the Company.

52. Additionally, during the Class Period, and with the Company's stock trading at artificially inflated prices, Company insiders sold shares of Accredited stock for gross proceeds of $19,094,491. For example, during the Class Period, and with the Company's stock trading at artificially inflated prices, Defendant Konrath sold shares of Accredited stock for gross proceeds of $17,825,856, Defendant Crawford sold shares of Accredited stock for gross proceeds of $536,285, and Defendant Buchanan sold shares of Accredited stock for gross proceeds of $460,000. Additionally, during the Class Period, and with the Company's stock trading at artificially inflated prices, Defendant Hertzel sold shares of Accredited stock for gross proceeds of $256,250, and Defendant Erickson sold shares of Accredited stock for gross proceeds of $16,100.

Applicability of Presumption of Reliance:
<u>Fraud On The Market Doctrine</u>

53. At all relevant times, the market for Accredited's common stock was an efficient market for the following reasons, among others:

(a) Accredited's stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, Accredited filed periodic public reports with the SEC and NASDAQ;

(c) Accredited regularly communicated with public investors <u>via</u> established

market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Accredited was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

54. As a result of the foregoing, the market for Accredited's common stock promptly digested current information regarding Accredited from all publicly-available sources and reflected such information in Accredited's stock price. Under these circumstances, all purchasers of Accredited common stock during the Class Period suffered similar injury through their purchase of Accredited common stock at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

55. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Accredited who knew that those statements were false when made.

FIRST CLAIM

Violation of Section 10(b) of
The Exchange Act and Rule 10b-5
Promulgated Thereunder Against All Defendants

56. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

57. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Accredited common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

58. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for Accredited's common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

59. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Accredited as specified herein.

60. These Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Accredited's value and performance and

continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Accredited and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Accredited common stock during the Class Period.

61. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these Defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these Defendants enjoyed significant personal contact and familiarity with the other Defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these Defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

62. The Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Accredited's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its common stock. As demonstrated by Defendants' overstatements and misstatements of the Company's business,

operations and earnings throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

63. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Accredited common stock was artificially inflated during the Class Period. In ignorance of the fact that market prices of Accredited's common stock were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the common stock trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Accredited's common stock during the Class Period at artificially high prices and were damaged thereby.

64. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Accredited was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Accredited common stock, or, if they had acquired such common stock during the Class Period, they would not have done so at the artificially inflated prices which they paid.

65. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

66. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's common stock during the Class Period.

SECOND CLAIM

Violation of Section 20(a) of The Exchange Act Against the Individual Defendants

67. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

68. The Individual Defendants acted as controlling persons of Accredited within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

69. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

70. As set forth above, Accredited and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other

members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

(b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: March 22, 2007

BRODSKY & SMITH, LLC

By: ______________________

Evan J. Smith (SBN 242352)
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Attorneys for Plaintiff Max Pourshafie

CERTIFICATION OF NAMED PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS

I, Max Pourshafie (Plaintiff) declares, as to the claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed the Complaint and retains Schiffrin & Barroway, LLP and such co-counsel it deems appropriate to associate with to pursue such action on a contingent fee basis.

2. Plaintiff did not purchase the security that is the subject of this action at the direction of Plaintiff's counsel or in order to participate in any private action.

3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. Plaintiff's transactions in the Accredited Home Lenders (NASDAQ: LEND) that are the subject of this action during the Class Period are as follows:

No. of Shares	~~Buy/Sell~~ BUY	Date	Price Per Share
100	BUY	11/22/06	30.49
200.	BUY	11/24/06	29.55
100	BUY	12-06/06	29.51
100	BUY	12-07/06	28.35

List additional transactions on a separate sheet of paper, if necessary.

5. During the three years prior to the date of this Certification, Plaintiff has sought to serve or served as a representative party for a class in the following actions filed under the federal securities laws: n/a

6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the Court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 20 day of 03, 2007

M. Pourshafie 3/20/07

MAX POURSHAFIE

ORIGINAL

FILED

2007 MAR 22 PM 1:50

CLERK US DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

BY [signature] DEPUTY

JS44
(Rev. 07/89)

CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE SECOND PAGE OF THIS FORM.)

I (a) PLAINTIFFS

MAX POURSHAFIE, Individually and On Behalf of All Others Similarly Situated

DEFENDANTS

ACCREDITED HOME LENDERS HOLDING COMPANY, JAMES A. KONRATH, JOHN S. BUCHANAN, JOSEPH J. LYDON, STUART D. MARVIN, DAVID E. HERTZEL, and JEFFREY W. CRAWFORD

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF Fresno
(EXCEPT IN U.S. PLAINTIFF CASES)

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT San Diego
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED

(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)

Evan J. Smith (SBN242352)
Brodsky & Smith, LLC 9595 Wilshire Boulevard, Suite 900
Beverly Hills, CA 90212 877-534-2590

ATTORNEYS (IF KNOWN)

'07 CV 0531 BTM POR

BY FAX

II. BASIS OF JURISDICTION (PLACE AN x IN ONE BOX ONLY)

- ☐ 1U.S. Government Plaintiff
- ☒ 3Federal Question (U.S. Government Not a Party)
- ☐ 2U.S. Government Defendant
- ☐ 4Diversity (Indicate Citizenship of Parties in Item III

III. CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN X IN ONE BOX (For Diversity Cases Only) FOR PLAINTIFF AND ONE BOX FOR DEFENDANT

	PT	DEF		PT	DEF
Citizen of This State	☐ 1	☐ 1	Incorporated or Principal Place of Business in This State	☐ 4	☐ 4
Citizen of Another State	☐ 2	☐ 2	Incorporated and Principal Place of Business in Another State	☐ 5	☐ 5
Citizen or Subject of a Foreign Country	☐ 3	☐ 3	Foreign Nation	☐ 6	☐ 6

IV. CAUSE OF ACTION (CITE THE US CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE. DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY).

15 U.S.C. §§ 78j(b) and 78t(a)

V. NATURE OF SUIT (PLACE AN X IN ONE BOX ONLY)

CONTRACT
- ☐ 110 Insurance
- ☐ 120 Marine
- ☐ 130 Miller Act
- ☐ 140 Negotiable Instrument
- ☐ 150 Recovery of Overpayment & Enforcement of Judgment
- ☐ 151 Medicare Act
- ☐ 152 Recovery of Defaulted Student Loans (Excl. Veterans)
- ☐ 153Recovery of Overpayment of Veterans Benefits
- ☐ 160 Stockholders Suits
- ☐ 190 Other Contract
- ☐ 195 Contract Product Liability

REAL PROPERTY
- ☐ 210 Land Condemnation
- ☐ 220 Foreclosure
- ☐ 230 Rent Lease & Ejectment
- ☐ 240 Tort to Land
- ☐ 245 Tort Product Liability
- ☐ 290 All Other Real Property

TORTS

PERSONAL INJURY
- ☐ 310 Airplane
- ☐ 315 Airplane Product Liability
- ☐ 320 Assault, Libel & Slander
- ☐ 330 Federal Employers' Liability
- ☐ 340 Marine
- ☐ 345 Marine Product Liability
- ☐ 350 Motor Vehicle
- ☐ 355 Motor Vehicle Product Liability
- ☐ 360 Other Personal Injury

PERSONAL INJURY
- ☐ 362 Personal Injury- Medical Malpractice
- ☐ 365 Personal Injury - Product Liability
- ☐ 368 Asbestos Personal Injury Product Liability

PERSONAL PROPERTY
- ☐ 370 Other Fraud
- ☐ 371 Truth in Lending
- ☐ 380 Other Personal Property Damage
- ☐ 385 Property Damage Product Liability

CIVIL RIGHTS
- ☐ 441 Voting
- ☐ 442 Employment
- ☐ 443 Housing/Accommodations
- ☐ 444 Welfare
- ☐ 440 Other Civil Rights

PRISONER PETITIONS
- ☐ 510 Motions to Vacate Sentence Habeas Corpus
- ☐ 530 General
- ☐ 535 Death Penalty
- ☐ 540 Mandamus & Other
- ☐ 550 Civil Rights
- ☐ 555 Prisoner Conditions

FORFEITURE/PENALTY
- ☐ 610 Agriculture
- ☐ 620 Other Food & Drug
- ☐ 625 Drug Related Seizure of Property 21 USC881
- ☐ 630 Liquor Laws
- ☐ 640 RR & Truck
- ☐ 650 Airline Regs
- ☐ 660 Occupational Safety/Health
- ☐ 690 Other

LABOR
- ☐ 710Fair Labor Standards Act
- ☐ 720 Labor/Mgmt. Relations
- ☐ 730 Labor/Mgmt. Reporting & Disclosure Act
- ☐ 740 Railway Labor Act
- ☐ 790 Other Labor Litigation
- ☐ 791 Empl. Ret. Inc. Security Act

BANKRUPTCY
- ☐ 422 Appeal 28 USC 158
- ☐ 423 Withdrawal 28 USC 157

PROPERTY RIGHTS
- ☐ 820 Copyrights
- ☐ 830 Patent
- ☐ 840 Trademark

SOCIAL SECURITY
- ☐ 861 HIA (1395ff)
- ☐ 862 Black Lung (923)
- ☐ 863 DIWC/DIWW (405(g))
- ☐ 864 SSID Title XVI
- ☐ 865 RSI (405(g))

FEDERAL TAX SUITS
- ☐ 870 Taxes (U.S. Plaintiff or Defendant)
- ☐ 871 IRS - Third Party 26 USC 7609

OTHER STATUTES
- ☐ 400 State Reappointment
- ☐ 410 Antitrust
- ☐ 430 Banks and Banking
- ☐ 450 Commerce/ICC Rates/etc.
- ☐ 460 Deportation
- ☐ 470 Racketeer Influenced and Corrupt Organizations
- ☐ 810 Selective Service
- ☒ 850 Securities/Commodities Exchange
- ☐ 875 Customer Challenge 12 USC
- ☐ 891 Agricultural Acts
- ☐ 892 Economic Stabilization Act
- ☐ 893 Environmental Matters
- ☐ 894 Energy Allocation Act
- ☐ 895 Freedom of Information Act
- ☐ 900 Appeal of Fee Determination Under Equal Access to Justice
- ☐ 950 Constitutionality of State
- ☐ 890 Other Statutory Actions

VI. ORIGIN (PLACE AN X IN ONE BOX ONLY)

☒ 1 Original Proceeding ☐ 2 Removal from State Court ☐ 3 Remanded from Appelate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from another district (specify) ☐ 6 Multidistrict Litigation ☐ 7 Appeal to District Judge from Magistrate Judgment

VII. REQUESTED IN COMPLAINT: ☒ CHECK IF THIS IS A CLASS ACTION UNDER f.r.c.p. 23 **DEMAND $** Check YES only if demanded in complaint: JURY DEMAND: ☒ YES ☐ NO

VIII. RELATED CASE(S) IF ANY (See Instructions): JUDGE Marilyn L. Huff Docket Number 3:07-cv-00488 MLH

DATE 3-22-07 SIGNATURE OF ATTORNEY OF RECORD [signature]

PAID $350 3/22/07 BHRCPT#136351

::ODMA\PCDOCS\WORDPERFECT\22816\1 January 24, 2000 (3:10pm)

6106679029 BRODSKY & SMITH, LLC PAGE 02/02

UNITED STATES
DISTRICT COURT
Southern District of California
San Diego Division

136351 - A1
March 22, 2007

Code	Case #	Qty	Amount
CV086900	3-07-CV-0531		60.00 CH
Judge	- MOSKOWITZ		
CV086400			100.00 CH
CV510000			190.00 CH

Total-> 350.00

FROM: CIVIL FILING
POURSHAFIE V. ACCREDITED ET AL
BC#D30B7099
BH